

## ABSTRACT

An auction system is disclosed which allows users to participate using their own, or the exchanges, or a brokers, computers, suitably connected to the auction system. This connection may use the internet or a private leased line or an alternative network. The invention involves a method and system for providing auction mechanisms, including a wide variety of types of auctions as described below, and a central counterparty for assuming credit risk between borrowers and lenders, if the borrowers and lenders chose not to transact with each other. This method and auction system provides a means for borrowers and lenders of securities to meet more efficiently, to trade at a better price, to trade in larger size, to trade more rapidly, and, in some cases eliminate the role of the broker as an intermediary between borrower and lender. This mechanism facilitates not only a borrowing and subsequent short sale of securities but also the financing of securities.